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1000 Wilshire Boulevard, Nineteenth Floor
5 Los Angeles, California 90017-2427
Telephone: (323) 852-1000
6 Facsimile: (323) 651-2577

7 Attorneys for Secured Creditor Preferred Bank

8 **UNITED STATES BANKRUPTCY COURT**

9 **CENTRAL DISTRICT OF CALIFORNIA**

10 **LOS ANGELES DIVISION**

11 In re

Case No. 2:18-bk-15972-WB

12 Playhut, Inc.,

Chapter 11

13 Debtor and Debtor-in-
14 Possession.

**STIPULATION FOR IMMEDIATE (1)
APPOINTMENT OF CRO; (2)
APPLICATION OF THE PLEDGED
TIME CERTIFICATE OF DEPOSIT; AND
15 (3) ADDITIONAL GRANT OF
ADEQUATE PROTECTION FOR
16 PREFERRED BANK**

17 **ORDER THEREON**

18 Date: No Hearing Requested
19 Time: .
Crtrm: 1375
20 255 E. Temple Street
Los Angeles, CA 90012

21 This Stipulation ("Stipulation" or "Agreement") is entered into by and between (a) secured
22 creditor, Preferred Bank, a California banking corporation ("Bank") by and through its attorneys of
23 record, Frandzel Robins Bloom & Csato, L.C., (b) the Official Committee of Creditors Holding
24 Unsecured Claims, by and through its proposed attorneys Fox Rothschild, LLP (the "Committee"),
25 and (c) Debtor Playhut, Inc., by and through its proposed counsel Goe & Forsythe, LLP ("Debtor,"
26 and together with the Bank and the Committee, the "Parties," where appropriate), with reference to
27 the following:

28 **RECITALS**

FRANZEL ROBINS BLOOM & CSATO, L.C.
1000 WILSHIRE BOULEVARD, NINETEENTH FLOOR
LOS ANGELES, CALIFORNIA 90017-2427
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1 A. On May 24, 2018 (the "Petition Date"), Debtor commenced this case by filing a
2 voluntary petition under Chapter 11 of the Bankruptcy Code.

3 B. Bank has had an ongoing banking relationship with Debtor since at least 2005.¹

4 C. In addition to the other loan documents that are the subject of, and attached to, the
5 Declaration of Christina Ching Regarding Debtor's Use of Preferred Bank's Cash Collateral filed
6 herein on July 5, 2018 as Dkt. No. 79, on or about May 12, 2016, the Debtor executed and delivered
7 to the Bank an Assignment of Deposit Account ("Assignment of Deposit Account") whereby the
8 Debtor granted to the Bank a security interest in three time certificates of deposit in the amounts of
9 \$339,536.08, \$70,000.00, and \$100,000.00, respectively (the "Pledged CD's"), for the purpose of
10 securing repayment of the debts owed by the Debtor to the Bank. The Bank perfected its security
11 interest in the Pledged CD's by having possession of said accounts at all times relevant hereto.

12 D. On October 13, 2005, the Bank issued an Irrevocable Standby Letter of Credit
13 bearing No. STB05/00269 ("Letter of Credit") in the original amount of \$400,000.00 and for the
14 benefit of Disney Enterprises, Inc. ("Disney"). By and through a series of amendments to the Letter
15 of Credit, the amount thereof was increased to a total of \$900,000.00, which, as of the date of this
16 Stipulation, is the liability exposure of the Bank on the Letter of Credit, and is the Debtor's
17 reimbursement obligation should there be a draw on the Letter of Credit. The Letter of Credit expiry
18 date is May 31, 2019.

19 E. Debtor's chief executive officer, Yu "Brian" Zheng ("Zheng"), has represented to the
20 Bank, among others, that he has been in negotiations with Disney, which supported the Debtor's
21 reorganization and was willing to extend out the time for royalty payments which are the subject of
22 the Letter of Credit, without any draw on the Letter of Credit at this time. Cash flow projections
23 and cash collateral orders were premised, in part, on Zheng's and the Debtor's representations in that
24 regard.

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27 ¹ For purposes of brevity, this Stipulation only refers to the operative version of the subject
28 instruments and loan documents. In some instances, prior iterations of those instruments and
documents exist, but are not recited herein.

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1 F. Nevertheless, on July 10, 2018, Disney gave written notice to the Bank of its draw
2 on the Letter of Credit in the amount of \$900,000.00. A true and correct copy of Disney's drawing
3 communications to the Bank are attached as Exhibit 1 and incorporated herein.

4 G. The parties hereby enter into this Stipulation to, among other things, request that the
5 Court immediately enter its Order approving this Stipulation, (a) to provide the Bank with some
6 additional adequate protection for its secured claim, (b) to provide the Bank with some cushion
7 against the continuing deterioration of the value of its petition date collateral, (c) to effectuate a
8 partial reimbursement to the Bank for Disney's post-petition draw on the Letter of Credit, and (d) to
9 induce the Bank to continue to support the DIP inventory financing that is the subject of this Court's
10 Order entered herein on July 10, 2018 as DKT. No. 87.

11 **NOW, THEREFORE**, the following is hereby stipulated and agreed to by and among the
12 parties:

13 1. **Recitals.** The recitals are incorporated herein by this reference.

14 2. **Application of the Pledged CDs.** Effective immediately upon the approval of this
15 Stipulation by the Court, the Bank shall be entitled to apply to the reimbursement obligation of the
16 Debtor associated with the draw by Disney on the Letter of Credit the entirety of the amounts
17 evidenced by the Pledged CDs in the approximate amount of \$509,000,00.

18 3. **Application of Cash Flow.** The Debtor and the CRO James Wong, shall reconcile
19 the amounts due to Disney going forward, after taking into account the draw on the Letter of Credit,
20 and shall determine, in consultation with and after agreement by the Bank, an amount to be dedicated
21 to further reimbursement of the Bank for the LC draw by Disney to be swept from the Debtor's DIP
22 operating accounts weekly and paid to the Bank, from the Debtor's cash flow. Should the Debtor
23 and the Bank not be able to determine the cash flow sweep for the Bank, this Court shall set the
24 amount upon the application of either party. After the Bank has approved the additional amounts
25 of adequate protection payments to be made to the Bank hereunder, the Bank and the Committee
26 shall withdraw their objections to the insider compensation of Brian Zheng.

27 4. **Chief Restructuring Officer.** The Debtor shall immediately appoint James Wong
28 of Armory Consulting as Playhut's chief restructuring officer ("CRO"). Going forward, Zheng shall

financial
1 have no control over any of the Debtor's operations, restructuring efforts, or operation of the
2 bankruptcy estate. *financial*

3 **IN WITNESS WHEREOF**, the parties hereto execute this Stipulation, by and through their
4 respective counsel or otherwise, as of the date set forth opposite the respective signatures and request
5 that the Court immediately enter its Order approving its terms.

6
7 **IT IS SO STIPULATED:**

8
9 DATED: July 12, 2018

GOE & FORSYTHE, LLP

10
11 By: 

12 ROBERT P. GOE
13 Proposed Attorneys for Debtor Playhut, Inc.

14 DATED: July __, 2018

FRANDZEL ROBINS BLOOM & CSATO, L.C.

15
16 By: /s/ Michael Gerard Fletcher

17 MICHAEL GERARD FLETCHER
18 Attorneys for Secured Creditor Preferred Bank
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2 bankruptcy estate.

3 **IN WITNESS WHEREOF**, the parties hereto execute this Stipulation, by and through their
4 respective counsel or otherwise, as of the date set forth opposite the respective signatures and request
5 that the Court immediately enter its Order approving its terms.

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8
9 DATED: July __, 2018

GOE & FORSYTHE, LLP

10
11 By: _____

12 ROBERT P. GOE

13 Proposed Attorneys for Debtor Playhut, Inc.

14 DATED: July 12, 2018

FRANDZEL ROBINS BLOOM & CSATO, L.C.

15
16 By: _____

Michael G. Fletcher
/s/ Michael Gerard Fletcher *RFW*

17 MICHAEL GERARD FLETCHER

18 Attorneys for Secured Creditor Preferred Bank
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LOS ANGELES, CALIFORNIA 90017-2427
(323) 852-1000

1 DATED: July 12, 2018

FOX ROTHSCHILD LLP

2
3 By: 

4 METTE KURTH

5 Proposed Attorneys for the Committee of
6 Creditors Holding Unsecured Claims

7 **APPROVED:**

8 DATED: July __, 2018

PLAYHUT, INC., Debtor & Debtor-in-Possession

9
10 By: _____

11 YU ZHENG, President of Playhut, Inc.

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13 **IT IS SO ORDERED:**

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FRANZEL ROBINS BLOOM & CSATO, L.C.
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1 DATED: July __, 2018

FOX ROTHSCHILD LLP

By:

METTE KURTH
Proposed Attorneys for the Committee of
Creditors Holding Unsecured Claims

6 **APPROVED:**

7 DATED: July __, 2018

PLAYHUT, INC., Debtor & Debtor-in-Possession

By:

YU ZHENG, President of Playhut, Inc.

13 **IT IS SO ORDERED:**

EXHIBIT 1



July 9, 2018

Preferred Bank
601 South Figueroa Street, 20th Floor
Los Angeles, CA 90017

Re: Preferred Bank Irrevocable Standby Letter of Credit No. **STB05/00269** issued on behalf of Playhut, Inc. in the amount of \$900,000.00

To Whom It May Concern:

The following documents required to negotiate a full draw in the amount of \$900,000.00 under the above captioned Irrevocable Standby Letter of Credit are enclosed:

- Beneficiary's Signed Statement
- Beneficiary's Sight Draft for the amount of US \$900,000.00
- The original Letter of Credit No. **STB05/00269** issued by Preferred Bank with issue date 10/13/05
- Amendment No. 001 dated 5/16/07
- Amendment No. 002 dated 3/6/08
- Amendment No. 003 dated 3/17/08
- Amendment No. 004 dated 3/17/09
- Amendment No. 005 dated 4/14/09
- Amendment No. 006 dated 12/28/09
- Amendment No. 007 dated 4/27/12
- Amendment No. 008 dated 3/3/14
- Amendment No. 009 dated 1/20/15
- Amendment No. 010 dated 1/29/16
- Amendment No. 011 dated 5/15/18

Please have funds wire transferred to:

Bank Name: JP Morgan Chase
Bank Address: 300 South Grand Ave., 4th Floor, Los Angeles, CA 90071
ABA #: 021000021
ACH #: 021000021
SWIFT Code: CHASUS33
Beneficiary Account: Disney Consumer Products, Inc.
Account Number: 496562120
For credit to: Disney Consumer Products, Inc.
Reference: Playhut, Inc.

Thank you.



July 9, 2018

Preferred Bank
601 S. Figueroa Street, 20th Floor
Los Angeles, CA 90017

Attn: Standby Letter of Credit

Re: Preferred Bank Irrevocable Standby Letter of Credit No. STB05/00269; Applicant: Playhut, Inc.

STATEMENT

We hereby advise that:

"Monies due Disney Enterprises, Inc. under a licensing agreement or agreements between Disney Enterprises, Inc. and/or Disney Consumer Products, Inc and Playhut, Inc. either prior to, concurrent with, or subsequent to have not been received according to the terms of such licensing agreement(s) and/or any of said licensing agreement(s) have been terminated for cause."

Thank you,

A handwritten signature in black ink, appearing to read "Pamela Guerra", is written over a faint, larger version of the same signature.

Pamela Guerra
Collections Account Manager & Authorized Representative
Disney Consumer Products, Inc.
818-560-6259
818-526-4037 fax
pamela.q.guerra@disney.com



Disney Enterprises, Inc.

BILL OF EXCHANGE

STANDBY LETTER OF CREDIT NUMBER: STB05/00269

Date: July 9, 2018

Drawn At Sight of this Bill of Exchange

Pay to the Order of: Disney Consumer Products, Inc.

Amount: NINE HUNDRED THOUSAND AND 00/100 AND 00/100 U.S. DOLLARS (US\$900,000.00)

**"DRAWN UNDER PREFERRED BANK'S IRREVOCABLE STANDBY LETTER OF CREDIT NO.
STB05/00269 DATED October 13, 2005"**

Drawer: Disney Consumer Products, Inc.

Drawee: Preferred Bank
601 S. Figueroa Street, 20th Floor
Los Angeles, CA 90017

By:

A handwritten signature in cursive script, appearing to read "Pamela Guerra".

Pamela Guerra
Collections Account Manager & Authorized Representative
Disney Consumer Products, Inc.
Tel: 818-560-6259
Fax: 818-526-4037
Email: Pamela.Q.Guerra@disney.com

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 18101 Von Karman Avenue, Suite 1200, Irvine, CA 92612

A true and correct copy of the foregoing document entitled (*specify*): **STIPULATION FOR IMMEDIATE (1) APPOINTMENT OF CRO; (2) APPLICATION OF THE PLEDGED TIME CERTIFICATE OF DEPOSIT; AND (3) ADDITIONAL GRANT OF ADEQUATE PROTECTION FOR PREFERRED BANK** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) July 13, 2018, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) July 13, 2018, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Lauren Deeb
Nelson Mullins Riley & Scarborough LLP
19191 South Vermont Avenue, Ste 900
Torrance, CA 90502

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) July 13, 2018, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

- The Honorable Julie Brand, USBC, 255 East Temple Street, Los Angeles, CA 90012

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

July 13, 2018
Date

Kerry A. Murphy
Printed Name

/s/Kerry A. Murphy
Signature

Mailing Information for Case 2:18-bk-15972-WB

Electronic Mail Notice List

The following is the list of **parties** who are currently on the list to receive email notice/service for this case.

- Raymond H. Aver ray@averlaw.com
- Steven P Chang heidi@spclawoffice.com,
schang@spclawoffice.com,assistant1@spclawoffice.com,attorney@spclawoffice.com;g9806@notify.cincompass.
com;chenghr75251@notify.bestcase.com
- Lei Lei Wang Ekvall lekvall@swelawfirm.com,
csheets@swelawfirm.com;gcruz@swelawfirm.com;jchung@swelawfirm.com
- Michael G Fletcher mfletcher@frandzel.com, sking@frandzel.com
- Robert P Goe kmurphy@goeforlaw.com, rgoe@goeforlaw.com;goeforecf@gmail.com
- Stella A Havkin stella@havkinandshrago.com, havkinlaw@earthlink.net;r49306@notify.bestcase.com
- Bradford G Hughes bhughes@Clarkhill.com, scontreras@clarkhill.com
- Mette H Kurth mkurth@foxrothschild.com, mette-kurth-7580@ecf.pacerpro.com
- Alvin Mar alvin.mar@usdoj.gov, Ron.Maroko@usdoj.gov,Kenneth.G.Lau@usdoj.gov,Dare.Law@usdoj.gov
- Robert S Marticello Rmarticello@swelawfirm.com,
csheets@swelawfirm.com;gcruz@swelawfirm.com;jchung@swelawfirm.com
- Stephen Reider sreider@goeforlaw.com, kmurphy@goeforlaw.com;campbellwr79778@notify.bestcase.com
- United States Trustee (LA) ustpreion16.la.ecf@usdoj.gov
- Reed S Waddell rwaddell@frandzel.com, sking@frandzel.com
- Gerrick Warrington gwarrington@frandzel.com, dwise@frandzel.com